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KANSAS HEALTH POLICY AUTHORITY

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KHPA Board Endorses Budget Reduction Measures
Board Also Votes to Appoint Nicholas Kramer as New Inspector General

(TOPEKA) – The Kansas Health Policy Authority Board endorsed three measures today that would reduce the agency's state general fund expenses by about $2 million in the next fiscal year. Those measures would enable KHPA to meet the administration's reduction target of 1 percent of total general fund spending, or 5 percent of non-caseload expenses. The measures include:

- Leveling Medicaid reimbursement rates for most physician services and other procedures at 83 percent of Medicare rates. Primary care, prevention and obstetrical care would be exempt from any reduction. (Estimated savings: $1 million SGF; $2.8 million All Funds)
- Streamlining prior authorization for prescription drugs and certain medical procedures. (Estimated savings: $243,000 SGF; $925,000 All Funds)
- And implementing pharmacy management for mental health prescription drugs. (Estimated savings: $800,000 SGF; $2 million All Funds)

"Saving money is never easy," said Andy Allison, KHPA Acting Executive Director. "Our goal is to put good policy options on the table. Our rates have been all over the map. Leveling our reimbursement rates with Medicare would help us save money in the short term, but would also give us a mechanism for continually reviewing and updating those rates. Tying our rates to Medicare rates is something we've done with hospital rates for some time, but we haven't had that same mechanism in place for physician and professional services."

Allison said KHPA will seek legislative approval for the change, even though the agency has regulatory authority to make the change on its own. "We regularly adjust individual rates here and there," he said. "But this is really a fundamental policy change that affects a wide range of providers in many different practice areas. For that reason, we think it's appropriate to bring elected officials into this decision."

Prior authorization (PA) is a mechanism commonly used in most insurance plans to make sure patients receive the most appropriate and cost effective care. PA systems require that the insurer (in this case, Medicaid) approve in advance any medications or procedures that fall outside established guidelines.

(more)

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Kansas Medicaid currently operates a manual PA system for physician services and an automated process for pharmacy.

Mental Health Prescription Drug Management: KHPA is currently prohibited by statute from exercising management controls over prescription mental health drugs in the Medicaid program. KHPA plans to ask the legislature to repeal that statute so it can better manage mental health drug utilization.

Tilghman said, "Virtually all other insurance plans, including private insurance plans and Medicare, use some kind of management program for mental health drugs. We see no reason why Medicaid should be less efficient, or provide care that has less of a focus on quality and safety, than every other health plan"

Over the past several years, mental health drugs have been the highest drug expenditure by class of medications and the most-prescribed drugs by volume in the Medicaid program. Allison said this has caused concerns about both the cost and safety of those prescriptions. An analysis of KHPA claims data revealed that in Fiscal Year 2008, 576 children younger than 18 years of age were prescribed two or more atypical antipsychotics simultaneously, and 851 children under 18 were prescribed five or more psychotropic medications within one 90-day period. Many of these newer drugs have recently been associated with negative side effects.

The three budget measures will be included in KHPA's budget request, which will be submitted to the Division of Budget later this week. It will then be up to the governor to accept or modify the agency's request as he prepares his budget proposal for the Kansas legislature to consider in January.

New Inspector General Named

The KHPA Board today also appointed **Nicholas Kramer** to the position of **Inspector General** for the agency. The appointment is effective Oct. 5 and is subject to confirmation by the Kansas Senate. He will succeed Felany Opiso-Williams who has served as interim leader of the office since November 2008.

The inspector general is a statutory position and is responsible for conducting internal audits, reviews and investigation to identify potential fraud and abuse in the Kansas Medicaid program.

Since 1983, Kramer has been the internal audit manager at the Kansas Department of Revenue. In that position he has conducted internal audits and fraud investigations as well as ensuring compliance with IRS security regulations.

"We're very excited to have Nick in this position," said KHPA Board Chairman Joe Tilghman. "The inspector general plays a key role in preventing waste, fraud and abuse in the state's health care programs. Nick's background and experience makes him uniquely qualified for this job."

The Office of Inspector General was established within the Kansas Health Policy Authority in 2007. The purpose of the office is, "to establish a full-time program of audit, investigation and performance review to provide increased accountability, integrity and oversight of the state Medicaid program, the state MediKan program and the State Children's Health Insurance Program … and to assist in improving agency and program operations and in deterring and identifying fraud, waste, abuse and illegal acts." (KSA 75-7427)

Kramer was recommended for the position by the Board's Human Capital and Compensation Committee after reviewing more than 40 applications.

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